

FTR

Testimony of William Cochrane RCR.0001043

Regarding H.B. 6677

An act concerning broker price opinions

Insurance and Real Estate Committee

02/19/2015

I come before you today to ask that you reject the proposal by the Connecticut Association of Realtors and National Association of Realtors to allow Broker's Price Opinions and Competitive Market Analysis to be performed for a fee, by Realtors and Brokers.

The Real Estate Sales profession would need to be completely overhauled, and retrained prior to them being qualified to complete accurate and unbiased property valuations. As the system works now, Realtors and Brokers have a duty to advocate for their clients, with little or no regard for other parties in the transaction. The term "Buyer Beware" has become synonymous with the Real Estate Sales Profession. I ask you, How can an organization that has such a callous view of the rights of the buyer of a home, be allowed to value properties for a third party? In fact the quote I found on a Real Estate Training site was "the sellers Broker owes no duty of good faith or loyalty to the buyer." Buyers of these BPOs and CMAs should also keep in mind that the Caveat Emptor attitude will also apply to them, as there is little or no recourse for inaccurate valuations done using a BPO, or CMA.

Real Estate Appraisers are obligated to remain unbiased in the valuation of all properties, no matter who the Lender/Client is.

Appraisers now are required to have a College Degree, and thousands of hours of training, prior to being certified. A Real Estate Agent needs 60 hours of Training, and no formal education at all. A person can move to Connecticut from another state, take 60 hours of class, pass the State exam and begin doing CMAs in a matter of a month, whereas, an appraiser has to be trained for an average of 3-4 years after obtaining a College degree and 200 hours of appraisal courses, and a rigorous State exam. These BPO and CMA reports can be prepared by people with little actual experience and knowledge of the valuation process, when compared to a Certified Appraiser.

I performed an analysis of some sales in the Town of North Haven over the past 6 months and created the attached spread sheet. As you can see by these examples of actual sales, the initial asking prices established by Brokers, are often not an accurate value for the homes. The Brokers often over value properties during the BPO, and CMA preparation in order to convince a seller to sign a listing agreement. Then as the home languishes on the market, the asking price starts to decline, until such a point where the asking price is close enough to the actual value for a buyer to feel comfortable bidding on the home. At this point the market itself has corrected the Broker's over valuation of the home. Then once under contract, a home inspection is performed and now the negotiation goes another step further, if needed, to account for items discovered, and not disclosed prior to the home inspection. The final check is when the Appraiser is brought in to perform a valuation on the home. This system balances out the process and seems the work fairly well. I now ask you, who will be correcting the inflated values provided by Brokers in performing BPOs and CMAs?

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William Cochrane, Owner

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Address	Original List Price	Sale Price	\$ Difference	% change
633 Middletown Ave	\$249,900	\$196,000	\$53,900	21.57%
104 Homewood Ave	\$399,000	\$287,000	\$112,000	28.07%
140 Sackett Point Rd	\$239,900	\$142,000	\$97,900	40.81%
216 Quinnpilac Ave #302	\$119,000	\$85,000	\$34,000	28.57%
30 Pine River Rd	\$219,000	\$155,000	\$64,000	29.22%
32 Macarthur Rd	\$178,500	\$119,900	\$58,600	32.83%
531 Clintonville Rd	\$325,000	\$265,000	\$60,000	18.46%
1400 Hartford Tpke	\$199,900	\$165,000	\$34,900	17.46%
1295 Ridge Rd	\$474,900	\$412,000	\$62,900	13.24%
1 Judd Dr	\$259,900	\$210,000	\$49,900	19.20%
6 Hilltop Terrace	\$259,900	\$175,000	\$84,900	32.67%
2 Carafa Terrace	\$331,111	\$254,400	\$76,711	23.17%
23 Greenfield Lane	\$479,000	\$390,000	\$89,000	18.58%
60 Village St	\$160,000	\$110,000	\$50,000	31.25%